

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name North Plains Township	County Ionia
Audit Date 3/31/05	Opinion Date 5/18/05	Date Accountant Report Submitted to State: 7/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 108 N. Spring St.	City St. Johns	State MI	ZIP 48879
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Stone</i>		Date 7/22/05	

**Township of North Plains
Ionia County, Michigan**

FINANCIAL STATEMENTS

March 31, 2005

Township of North Plains

Ionia County, Michigan

March 31, 2005

BOARD OF TRUSTEES

William Kruger

Supervisor

Robert Fahey

Clerk

Earl Howell

Treasurer

James Ward

Trustee

Susan Hogan

Trustee

Township of North Plains

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ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

Member:
American Institute of Certified
Public Accountants
and
Michigan Association of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

**Members of the Township Board
Township of North Plains
Hubbardston, Michigan**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of North Plains, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Township of North Plains, Michigan as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 18, 2005

Township of North Plains

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

New Financial Reporting

Starting with the fiscal year ended March 31, 2005, the Township of North Plains, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- State shared revenue, our largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$2,821 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$1,244 from the prior year. The increase is the net result of a collection fee received for the new state mandated SET (summer tax collection) and increasing property values in the Township.
- The Township incurred costs of \$91,028 for a Road Paving Project that was anticipated when the original budget was adopted.
- The Township incurred costs of \$22,049 for a Fire Department Pumper that was anticipated when the original budget was adopted.
- Total fund balance related to the Township's governmental fund decreased by \$101,992.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of North Plains as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of North Plains in more detail than the government-wide financial statements by providing information about the Township's General Fund.

Township of North Plains
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2005

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005. A comparative analysis of data will be presented in future years when the information is available.

Assets	
Current assets	\$ 101,535
Noncurrent assets	<u>208,697</u>
Total assets	310,232
Liabilities	
Current liabilities	<u>812</u>
Net Assets	
Invested in capital assets	208,697
Unrestricted	<u>100,723</u>
Total net assets	<u>\$ 309,420</u>

The Township's total net assets were \$309,420 at March 31, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$100,723 at the end of the fiscal year. The net asset invested in capital assets were at \$208,697. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Revenue	
Program revenue:	
Charges for services	\$ 10,228
Capital grants and contributions	95,187
General revenue:	
Property taxes	21,006
State shared revenue	67,798
Investment earnings	1,889
Other revenue	<u>1,393</u>
Total revenue	197,501
Program Expenses	
General government	34,601
Public safety	9,404
Public works	136,384
Health and welfare	4,578
Other	<u>25</u>
Total program expenses	<u>184,992</u>
Change in Net Assets	<u>\$ 12,509</u>

Township of North Plains

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

Governmental Activities

The Township's governmental revenues totaled \$197,501 with the greatest revenue source being capital grants and contributions. The Township received a FEMA grant funds during the fiscal year to finance the purchase of a pumper to be used by the Fire Department. The second largest source of revenue was state shared revenues of \$67,798. Over the past few years, state revenue sharing and investment earnings have both declined.

The Township incurred expenses of \$184,992 during the year. The majority of governmental expense is associated with the public works function, which included a road paving project with a cost of approximately \$91,000 during this fiscal year.

The Township's Fund

The analysis of the Township's General Fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the only fund of the Township, not the Township of North Plains as a whole. The Township of North Plains's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for the Township's governmental services. The most significant service provided during the fiscal year was road management, which incurred expenditures of \$136,384 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund anticipated expenditures during the year. The most significant budget amendment during the year was made to cover the costs of maintenance to the roads. However, there was an overall favorable variance of approximately \$9,377 between budgeted and actual amounts.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had approximately \$209,000 invested in capital assets, net of accumulated depreciation, including building and vehicles. In addition, the Township has made certain investments in roads and drains within the Township of North Plains. These assets are not reported in the Township of North Plains' fund statements, because under Michigan law, these roads and drains are the property of the Ionia County Road and Drain Commissions, respectively.

The Township did not have any outstanding long-term debt as of the end of the fiscal year.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's 2005/06 fiscal year calls for a reduction of 3 percent of total revenue sharing. This should mean an additional reduction in revenue sharing of approximately \$2,000 to the Township of North Plains.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer.

BASIC FINANCIAL STATEMENTS



Township of North Plains
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 74,203
Investments	25,000
Taxes receivable	<u>2,332</u>
Total current assets	101,535
Noncurrent assets	
Capital assets, net	<u>208,697</u>
TOTAL ASSETS	310,232
LIABILITIES	
Current liabilities	
Accounts payable	<u>812</u>
NET ASSETS	
Invested in capital assets	208,697
Unrestricted	<u>100,723</u>
TOTAL NET ASSETS	<u><u>\$ 309,420</u></u>

See accompanying notes to financial statements.

Township of North Plains

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 34,601	\$ 10,228	\$ -	\$ (24,373)
Public safety	9,404	-	95,187	85,783
Public works	136,384	-	-	(136,384)
Health and welfare	4,578	-	-	(4,578)
Other	25	-	-	(25)
Total governmental activities	<u>\$ 184,992</u>	<u>\$ 10,228</u>	<u>\$ 95,187</u>	<u>(79,577)</u>
General revenues:				
		Property taxes		21,006
		State shared revenue		67,798
		Investment earnings		1,889
		Other		1,393
		Total general revenues		<u>92,086</u>
		Change in net assets		12,509
		Net assets, beginning of the year		<u>296,911</u>
		Net assets, end of the year		<u>\$ 309,420</u>

See accompanying notes to financial statements.

Township of North Plains
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2005

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 74,203
Investments	25,000
Taxes receivable	<u>2,332</u>
TOTAL ASSETS	<u>\$ 101,535</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 812
FUND BALANCE	
Unreserved - undesignated	<u>100,723</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 101,535</u>

See accompanying notes to financial statements.

Township of North Plains

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2005

Fund balance - governmental fund	\$ 100,723
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 246,597	
Accumulated depreciation is	<u>(37,900)</u>	
Capital assets, net		<u>208,697</u>

Net assets of governmental activities	<u><u>\$ 309,420</u></u>
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See accompanying notes to financial statements.

Township of North Plains

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended March 31, 2005

	<u>General</u>
REVENUES	
Taxes	\$ 28,716
Licenses and permits	2,518
Intergovernmental	162,985
Interest and rents	1,889
Other	<u>1,393</u>
TOTAL REVENUES	197,501
EXPENDITURES	
Current	
General government	34,016
Public safety	7,675
Public works	136,384
Health and welfare	4,578
Other	25
Capital outlay	<u>117,236</u>
TOTAL EXPENDITURES	<u>299,914</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(102,413)
Fund balance, beginning of year	<u>203,136</u>
Fund balance, end of year	<u><u>\$ 100,723</u></u>

See accompanying notes to financial statements.

Township of North Plains

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Net change in fund balance - governmental fund **\$ (102,413)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 117,236	
Depreciation expense	<u>(2,314)</u>	
Excess of capital outlay over depreciation expense		<u>114,922</u>
Change in net assets of governmental activities		<u><u>\$ 12,509</u></u>

See accompanying notes to financial statements.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Plains Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ionia County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of North Plains. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of North Plains Township contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's only governmental fund. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

5. Budgets and Budgetary Accounting

The General budget shown in the required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budget were not material.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and savings accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

7. Property Tax

North Plains Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ionia County Treasurer on March 1 of the year following the levy. The Ionia County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire operations and debt service. For the year ended March 31, 2005, the Township levied .8732 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2004 levy for property within the Township was \$23,505,254.

8. Capital Assets

Capital assets include buildings and public safety vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	20 years

9. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

10. Accounting Change

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Accounting Change - continued

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$40,742, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash, cash equivalents, and investments at March 31, 2005, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking accounts	\$ 4,098	\$ 5,302
Savings accounts	34,064	34,122
Money Market	<u>36,036</u>	<u>36,207</u>
	74,198	75,631
Investments		
Certificates of deposit	<u>25,000</u>	<u>24,899</u>
	<u>\$ 99,198</u>	<u>\$ 100,530</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2005, the Township accounts were insured by the FDIC for \$100,530.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

Governmental activities

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2005</u>
Capital assets not being depreciated:				
Construction in progress	\$ 90,264	\$ 117,236	\$(207,500)	\$ -0-
Capital assets being depreciated:				
Buildings	23,407	-	-	23,407
Vehicles	<u>15,690</u>	<u>207,500</u>	<u>-</u>	<u>223,190</u>
Total capital assets being depreciated	39,097	207,500	-0-	246,597

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE C: CAPITAL ASSETS - CONTINUED

Governmental activities - continued

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2005</u>
Less accumulated depreciation for:				
Buildings	\$(19,896)	\$(585)	\$ -	\$(20,481)
Vehicles	<u>(15,690)</u>	<u>(1,729)</u>	<u>-</u>	<u>(17,419)</u>
Total accumulated depreciation	<u>(35,586)</u>	<u>(2,314)</u>	<u>-0-</u>	<u>(37,900)</u>
Net capital assets being depreciated	<u>3,511</u>	<u>205,186</u>	<u>-0-</u>	<u>208,697</u>
Net capital assets - governmental activities	<u>\$ 93,775</u>	<u>\$ 322,422</u>	<u>\$(207,500)</u>	<u>\$ 208,697</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 585
Public safety	<u>1,729</u>
Total depreciation expense	<u>\$ 2,314</u>

NOTE D: PENSION PLAN

North Plains Township is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The North Plains Township Money Purchase Pension Plan is a money purchase defined contribution pension benefit plan and is administered by Municipal Retirement Systems, Inc. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. During the year ended March 31, 2005, North Plains Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be eighteen (18) years of age.

For the year ended March 31, 2005, North Plains Township had a total payroll of \$19,058. The North Plains Township Money Purchase Pension Plan had a covered payroll of \$18,113. North Plains Township made employer contributions to the pension plan of \$1,811.

NOTE E: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township also participates in a pool, the Michigan Municipal Workers Compensation Fund, with other municipalities to minimize risk of loss due to workers' compensation claims.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level for the General Fund.

During the year ended March 31, 2005, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Township board	\$ 11,800	\$ 11,841	\$ 41
Public safety			
Fire protection	6,864	7,675	811
Other			
Bank fees	-	25	25

REQUIRED SUPPLEMENTARY INFORMATION

Township of North Plains

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 23,300	\$ 23,300	\$ 28,716	\$ 5,416
Licenses and permits	-	-	2,518	2,518
Intergovernmental - State/Local	160,187	162,985	162,985	-0-
Interest	2,500	2,500	1,889	(611)
Other	1,000	1,000	1,393	393
TOTAL REVENUES	186,987	189,785	197,501	7,716
EXPENDITURES				
General government				
Township board	14,000	11,800	11,841	(41)
Supervisor	10,500	9,975	9,858	117
Elections	7,000	3,200	3,171	29
Clerk	4,500	4,400	4,050	350
Board of review	1,000	1,000	-	1,000
Treasurer	5,500	5,500	5,096	404
Total general government	42,500	35,875	34,016	1,859
Public safety				
Fire protection	5,014	6,864	7,675	(811)
Public works				
Highways, streets, and bridges	128,500	137,000	136,384	616
Health and welfare				
Ambulance	4,600	4,600	4,578	22
Other				
Bank fees	-	-	25	(25)
Capital outlay	117,236	117,236	117,236	-0-
TOTAL EXPENDITURES	297,850	301,575	299,914	1,661
EXCESS OF REVENUES (UNDER) EXPENDITURES	(110,863)	(111,790)	(102,413)	9,377
Fund balance, beginning of year	203,136	203,136	203,136	-0-
Fund balance, end of year	<u>\$ 92,273</u>	<u>\$ 91,346</u>	<u>\$ 100,723</u>	<u>\$ 9,377</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

Member:
American Institute of Certified
Public Accountants
and
Michigan Association of
Certified Public Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Township of North Plains
Hubbardston, Michigan

As you know, we have recently completed our audit of the records of the Township of North Plains, Michigan as of and for the year ended March 31, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management. These weaknesses are not considered reportable conditions in relation to the basic financial statements of the Township of North Plains, Michigan, but may be areas of possible improvement.

1. The Board of Directors should adopt a capital asset management policy.

During discussions with management, we noted that the Board of Directors has not formally implemented written procedures and policies for capital asset management.

We suggest that the Board adopt a policy for the capitalization and disposal of fixed assets. The policy should specify criteria for capitalizing assets, including the per unit dollar value threshold to be used. Items below the threshold established by the Board may be expensed as they are purchased. The policy should also specify that the disposal of capital assets requires formal approval by the Board of Directors. Such approval should be documented in the minutes of the Board meetings.

2. Investments should comply with Michigan Compiled Laws.

During our testing, we noted investments with banks in Delaware held by the Township. According to Michigan Compiled Laws, the Township is only allowed to hold investments with banks having a branch located in Michigan.

We suggest the Township review its investment policies and its current investments to assure compliance with state laws.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated May 18, 2005.

This report is intended solely for the information of management and the Members of the Township Board of the Township of North Plains and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 18, 2005